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USDOC FOR 532/OEA/MNICKSON/ADYSON
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR PATRICK SANTILLO
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A

TAGS: [BMGT](#) [BEXP](#) [HK](#) [ETRD](#) [ETTC](#)

SUBJECT: EXTRANCHECK: POST SHIPMENT VERIFICATION: PO YUEN TECHNOLOGY
COMPANY AND GALAXY TECHNOLOGY COMPANY

REF: A) USDOC 00082 B) USDOC 00083 C) HK 00913 (2008)

1. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

12. As per reftels A and B requests and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) conducted post shipment-verifications (PSVs) at Galaxy Technology Company, Room L, Flat D, 2/FL., Sun Industrial Center, 16 Shing Yip Street, Kwun Tong, Hong Kong (Galaxy) and Po Yuen Technology Company (Po Yuen) at the same address. ECO has combined these two PSVs into one cable as the companies are related and collocated.

13. The items in question for the Galaxy and Po Yuen checks are various electronic integrated circuits exported to Galaxy on August 26, 2008 and Po Yuen on July 31, 2008 respectively and valued at USD 38,000 and USD 11,500. On the applicable shippers export declaration (SED), these items are classified under export control classification number (ECCN) 3A001 and, if properly classified, would be controlled for national security (NS) reasons. The exporter in the case of both shipments was America II Electronics of St. Petersburg, Florida.

14. According to the Hong Kong Companies Registry, Po Yuen is not registered as a corporate entity in Hong Kong. It is, in fact, the sole proprietorship of Mr. Ye Xiaoling (no identification documentation is provided at the applicable registry suggesting that Mr. Ye is a mainland Chinese national). This entity was established in 2004. Galaxy, established in 2006 is likewise a sole proprietorship. It is owned by Han, Dexuan (also a likely mainland Chinese national).

15. According to Po Yuen's web site (www.py-tech.com), Po Yuen is an independent distributor of electronic integrated circuits that has been in existence in 2002. The web site lists a range of products carried by Po Yuen. ECO could find no web presence for Galaxy.

16. On February 13, 2009, ECO, accompanied by Commercial Assistant, Carrie Chan, visited Po Yuen and met with Gary Zhu, General Director. The office was very small (barely large enough to hold the meeting). Mr. Zhu stated that the company's business model involves sourcing various electronic components from major suppliers (such as America II and Converge) and reselling those components to various mainland China, Singapore and U.S. customers. Mr. Zhu further stated that the company had recently moved to a new location but that he preferred to meet at this location because it is the location listed in the transaction documentation for these shipments.

17. Mr. Zhu further stated that Galaxy and Po Yuen essentially operate as one company. Zhu stated that the two companies service different geographic areas and they use different names to differentiate different lines of business. ECO believes it is

likely that two names are useful when interacting with customers and suppliers as a way of getting better prices or sale terms. Mr. Zhu went on to state that he tries to avoid servicing military customers and that he requires customers to sign civil end use statements. Mr. Zhu stated that when dealing with mainland Chinese Customers, he does business only with the Hong Kong affiliates or designees of those companies so as to avoid export documentation and other related issues (ECO note: presumably also export control issues).

¶8. Mr. Zhu was able to provide to ECO two Hong Kong Trade and Industry Department (TID) strategic goods import licenses for the two shipments. Mr. Zhu stated that Po Yuen/Galaxy apply for Hong Kong licenses when the items in question fall on Hong Kong's strategic commodities list (that he searches on the TID web site). In both cases, Mr. Zhu stated that the end-user for these two shipments was Shenzhen Two Wing Technologies Ltd. in Shenzhen, China.

¶9. Consistent with his statement about his business practices, Mr. Zhu subsequently provided documentation showing delivery of the items (for both the Galaxy and Po Yuen shipments) to China Star Logistics Ltd. in Hong Kong. ECO notes that China Star Logistics Ltd. is related to Hong Kong company Wing Lee Trading Co. Ltd. Wing Lee was the subject of an unfavorable PSV that is the subject of reftel C. Mr. Zhu stated that he personally went to Shenzhen to be sure that the customer was legitimate (ECO assumes after he received the request for a PSV). Mr. Zhu stated that the end-user manufactures routers and other internet equipment. Commercial Assistant Carrie Chan conducted a web search for Shenzhen Two Wing Technologies Ltd. and was able to locate a company registered in Shenzhen that apparently corresponds to this company with registered capital of the RMB equivalent of USD 400,000. The company does not appear to have any other web presence. Another company is located

at this same address (transliterated as Shenzhen Yinhe Huigu Technology Company Ltd.). This company apparently manufactures computer and telecommunications products.

¶10. Mr. Zhu stated that Po Yuen and Galaxy are committed to compliance with export control rules. ECO subsequently provided additional guidance on reexport controls.

¶11. Based on the information noted above, ECO believes that both shipments were, in fact, delivered to China Star Logistics Ltd. ECO can make no firm determination whether the items were subsequently delivered to Shenzhen Two Wing Technologies Ltd. ECO is likewise unable to make any conclusive determination of whether the items were put to civil end use in mainland China. While Mr. Zhu appeared credible, ECO has relatively little information to make a final recommendation on whether Po Yuen or Galaxy are reliable recipients of U.S. origin controlled technology.